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Cleveland, Frederick Albert, "Efficiency in public management" (1912). *Individual and Corporate Publications*. 70.

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Efficiency in Public Management

By Dr. FREDERICK A. CLEVELAND

Chairman of the President's Commission on Economy and Efficiency

CENTRAL CONTROL OF NEW YORK CITY FINANCES

Among the means which have been devised for increasing naval efficiency is the conning tower. The conning tower lifts the naval officer above the dead level of the sea and gives him breadth of vision. Five years ago a series of one hundred or more conning towers was begun in the City of New York by Controller Metz. Before retiring from office practically all of these structures were well under way; some of them had been completed. This work was taken up and carried forward by Controller Prendergast. To-day in each of the 100 departments and offices throughout the city is to be found an administrative conning tower which is in constant communication with the controller.

As the central finance officer—the financial vice-president of the corporation—Controller Prendergast is in a position where he may now know each day, if he wish, and has reported to him regularly each month not only the exact condition of the Treasury but the unexpended and the unencumbered balances of each authorization to spend—the exact condition of each appropriation and of each contract entered into which is in the nature of an encumbrance on an appropriation. He is able to do this because he has the means for knowing that each transaction of each officer has been recorded; that each record has been accurately kept; that each total and balance has been completely and promptly reported. Further than this he is able to know whether each delivery of goods purchased and each contract for work has been promptly inspected; whether each tradesman's bill for goods delivered has been paid; what claims are being withheld; how long each claim has been withheld, and who is withholding it. That is, he has before him such information as is necessary to build up the trading reputation and to protect the credit of a city which

Read at the first meeting of the Efficiency Society, held in New York City, March 18 and 19, 1912.

spends nearly as much as does the government of the United States on its strictly civil activities.

On the revenue side of the business Controller Prendergast is now able to do what no officer of the City of New York has ever done. He may know, and it is the duty of his subordinates each day to know, what is the amount of revenues which have accrued; he is able to audit the tax rolls, the rent bills and other accruals of the city before collection; he verifies each tax bill, each rent bill, and other claim before it is placed in the hands of a collector; he audits both principal and interest of each collection made, and knows whether the amount collected is deposited at once; he is able to prove the chamberlain's receipt vouchers against the evidence of accrual and collection. From this central conning tower Controller Prendergast is able to watch the business of the city, for which he is responsible, and be an efficient officer of the corporation.

So, too, the many departmental conning towers are being effectively used. In his office in the Park Row Building, Commissioner Thompson has been able, not only to watch the mass movements, but also to go into every detail pertaining to the operation of the great water system of the city—an enterprise which serves five millions of people, and which is scattered over six hundred square miles of territory. From his conning tower he is able to keep in order a hundred stores and pipe yards, which when he took office were found to be in a disreputable state of confusion and neglect; he is able efficiently and intelligently to supervise the operation of pumping stations, high pressure plants, laboratories, filtration plants, and reservoirs; he is able to watch hundreds of maintenance gangs that before were without central supervision. With the instruments of precision now in his hands he has been able to see houses which were listed as residences and were paying water revenue at a one-family rate but which were being used as livery stables, laundries, or saloons. On metered property he has been able to discover by-passes, meters out of repair, broken dials, tampered clock work; he has come to know who were the incompetent and dishonest inspectors, who were making false reports, who were keeping false accounts, who were doing the short billing, who were trafficking with water users at the time of making collections. Within two years he has been able to increase the revenues four millions of dollars (approximately 40 per cent.), and decrease the expenses two million dollars (approximately 20 per cent.) without a change having been made in the water rates.

REORGANIZATION OF THE ACCOUNTING DEPARTMENTS OF CITIES

It has been only a little over four years since Mr. Metz addressed a body of citizens of New York, stating that he could not tell within twenty millions of dollars what was the indebtedness of the city. He also affirmed that the controller as the officer who was charged with responsibility for looking after the interest of the corporation was practically helpless to protect the city, except there first be a complete revision of administrative and accounting methods; that he could "catch a few things here and a few things there, but the mass of details is so great, that with all the vigilance one man can exercise the city treasury is being plundered on all sides." This statement marked the beginning of a vigorous campaign for institutional reorganization and revision—not, however, by procuring new laws, but by using the powers of his office which for years had been lying dormant—while working out and making available to successors in office the institutional means whereby they might act with intelligence.

Since that time Philadelphia's controller has become increasingly alert to his broad opportunities; the business methods of that great public corporation have been undergoing sweeping changes looking toward more enlightened administration. Cincinnati's controller has taken up a similar work. Chicago, St. Louis, and many other smaller municipalities all have been building official conning towers, and in this work the officers have had back of them an organized citizenship whose bond of union was not personal privilege and partisan patronage, but a desire to promote the efficiency of the government as an institution created for the promotion of public welfare. Where before citizenship was little more than misguided emotion, it has come to be an intelligent militant force, coöperating with officers in making municipal government an effective means for conserving the common good.

NEED OF CENTRAL CONTROL OF GOVERNMENT ACCOUNTS

The Government of the United States, the greatest corporation which has ever been organized, either public or private, has also been building administrative conning towers. When Mr. Taft and his cabinet assumed responsibility for the direction of the business of this corporation they found themselves, as others had before them, possessed of powers which with the means in hand no man could exercise with intelligence. In other words, they found themselves surrounded by conditions which made executive efficiency impossible. They

assumed responsibility for the acts of four hundred thousand men who were spending three million dollars of public moneys each day; yet they were without the means for readily ascertaining what any one of these four hundred thousand men was doing, or what were the results which were being obtained through the expenditures represented by vouchers which they as executives were required to sign as an authority for disbursement of funds from the public treasury.

When Mr. Taft took up the burden of management, he found in his office a few clerks and messengers whose occupation had been to usher in and to usher out those who came to call—to pay their respects and to ask for favors. Even the files of the office had been regularly bundled up and sent away with those of his distinguished predecessors. The Secretary of the Treasury, as finance minister and chief business adviser, was without the means for knowing what was going on. Having in their hands none of the instruments through which he might exercise intelligent executive control, the President and his advisers were charged with responsibility for the economic management of an institution which on high authority was said to be wasting a million dollars a day.

As organized and equipped, the President of the United States is not the effective head of the corporation—he cannot be an executive in any sense that a business man would understand. Instead he is made by operation of certain laws governing appointments the effective head of an irresponsible, extra-legal, partisan organization, whose chief interest in the government as a corporation has been to procure favors for its members. Instead of being in position to exercise executive direction and control over the institution which is responsible for the welfare of the American people, President Taft, when he took the oath of office, found himself in the position of a chief dispenser of patronage which costs the government and the people millions of dollars annually. And so long as that condition prevails, the President cannot well escape giving the principal part of his time and thought to the consideration of personal and partisan interests, as must also the head of each executive department. The real business of the government is, in large measure, in the undirected hands of thousands of loosely organized subordinates who rule over dependencies and carry on the work of minor jurisdictions. Instead of a well-organized business, the President of the United States and the executive heads of departments find themselves surrounded by an uncoördinated aggregation of units—an organization which resembles a feudalism made up of thousands of petty lords, each walled in for his own protection,

each holding as against all others a monopoly based on service, each ready to sally forth to acquire new possessions and to fight for those already obtained, no matter how irrelevant their interests or ill-adjusted the purposes of enterprises carried on within their protecting walls. Such is the corporate organization which has grown up under a régime which has demanded of Congress and its chief executive that their first attention be given to demands of an unincorporated, irresponsible organization, the bond of union in which is patronage.

REORGANIZATION OF GOVERNMENT ACCOUNTS

If ever an administrative conning tower has been needed by any corporation, it is needed by the Government of the United States. And conning towers have been begun. As a man accustomed to the management of large affairs, Secretary MacVeagh applied for and received from Congress a grant of one hundred thousand dollars, by means of which he might better provide the agencies and instruments of efficient management of the public business. Secretary Hitchcock became active in a campaign of constructive work in his department looking toward increased economy and efficiency. Secretary Meyer was also among the heads of great departments who undertook to get a dollar of value for every dollar of the Government's money which is expended. All of the secretaries worked together to attain those ends which have been so well described by the President, *viz.*, to save and to save for a purpose, "to save money to enable the Government to go into some of the beneficial projects which we are debarred from taking up now because we cannot increase our expenditures—projects affecting the public health, new public works, and other beneficial activities of the Government."

The President also applied to Congress and was granted a small fund with which to build a central conning tower—supervision of the construction of which was placed under his secretary, Mr. Charles D. Norton. Around this has been organized the work of the President's Commission on Economy and Efficiency, whose activities were made the subject of a special message to Congress on January 17th. Concluding this message, the President said:

"I ask the continuance of this Commission on Economy and Efficiency because of the excellent beginning which has been made toward the reorganization of the machinery of this Government on business principles. I ask it because its work is entirely non-partisan in character, and ought to appeal to every citizen who wishes to give effec-

tiveness to popular government, in which we feel a just pride. * * * Economies actually realized have more than justified the total expenditure of the inquiry to date, and the economies which will soon be made by executive action, based upon the information now in hand, will be many times greater than those already realized. Furthermore, the inquiry is in process of establishing a sound basis for recommendations relating to changes in law which will be necessary in order to make effective the economies which cannot be provided by executive action alone. Still further, it should be realized that the progress made by the inquiry has been notable when measured against the magnitude of the task undertaken. * * * Reports in my hands, with recommendations, estimate approximately two million dollars of possible annual economies; other subjects under investigation indicate much larger results. These represent only a few of the many services which should be subjected to a like painstaking inquiry. If this is done, it is beyond question that many millions of savings may be realized. Over and above the economy and increased efficiency which may be said to result from the work of the commission as such is an indirect result that cannot well be measured. I refer to the influence which a vigorous, thorough-going executive inquiry has on each of the administrative units responsible to the Executive. The purpose being constructive, as soon as any subject is inquired into, each of the services affected becomes at once alert to opportunities for improvement. * * * Much time and expense are necessary to get an inquiry of this kind started, to lay the foundation for sound judgment, and to develop the momentum required to accomplish definite results. The initial work has been done. The inquiry, with its constructive measures, is well under way. The work should now be prosecuted with vigor, and receive the financial support to make it effective."

THE PRACTICAL RESULTS OF REORGANIZATION

By all the agencies through which the President and his advisers have sought to supply the means for intelligent consideration of questions of economy and efficiency there is still much to be done. In fact, it may be said that such a work must be continuous, and that the acquisition of the means for effective management of government affairs, the building up of an efficient organization, the discipline necessary to the attainment of a wholesome *esprit de corps*, the working out of the adoption and use of labor-saving devices, and the utilization of the results of experience and invention, the development of technical

processes which make for better public service, must be the product of an evolution that must carry with it new institutional habits—must be the result of a slow educational process which affects every one of the four hundred thousand employees of the service.

With all that has been done by Secretary MacVeagh, he still has, in the eighteen great branches or services under his direction, eighteen different manuals of practice, eighteen different methods of accounting and reporting, which do not lend themselves to the production of any kind of a comprehensive summary, whether a balance sheet or an operating account, from which may be readily gleaned the significant facts—summaries of classes of transactions from which may be gleaned the points that suggest immediate administrative attention. Secretary Hitchcock has given his personal attention to detail, and by giving such attention has increased the efficiency of his organization, but he is still without his central administrative conning tower. Each of the thousands of local businesses which are combined in his department has its own methods, and operates largely in accordance with traditional procedure.

Secretary Meyer is the only head of department who has effected an organization for the exercise of central accounting control. From his conning tower he is able to watch the progress of work in thirty-four different industrial and non-industrial yards and stations. But in this central office instruments of precision are still to be installed, by means of which the secretary may know completely, accurately, and promptly what funds have been allotted; what funds have been encumbered; what funds have been expended; what is the condition of funds and appropriations and contracts; what is the cost of and the elements of cost of operating and maintaining each of his great war fleets; what is going on in 20 hospitals; what is going on in 25 dispensaries, in 7 medical schools, in 15 naval schools and training stations, in 3 schools for the marine corps, in 13 coaling plants, in 43 wireless telegraph stations, in 14 purchasing and pay offices, in 16 hydrographic offices, in 14 target ranges and camps of instruction, in 48 marine posts and stations, in 13 recruiting stations. Before his administrative conning tower will be as well equipped with the means of obtaining exact data which will be useful as are the conning towers and pilot houses in his battleships, it must necessarily take months and years of the most painstaking consecutive work.

And it is at this point that the public institution presents a condition which is not commonly found in private enterprises. The public officer may devote the best of his talents—the result of years of experience gained in private or public business; he may use every effort to increase the efficiency of the office when he may be placed in position of authority; but at the end of a few months, or at most a few years, during which he is able to make scarcely more than a beginning, his tenure ceases.

Each great private corporation employs the best talent that it can find, and, having found this talent, retains it as long as it may be availed of. In public office the conditions have been such that the personnel of authority is constantly shifting. Continuing memory exists only with subordinates, whose potency depends almost entirely on such contact as may be established and such confidence as may be gained with those who come temporarily to occupy the seat of power. As at present organized and operated, the "Committee on Rumor" makes the atmosphere of institutional opinion which surrounds the executive and provides for him the data for official action or inaction.

In a word my conclusion is this: that more than any private business or undertaking, the public office is in need of agencies which may develop complete, accurate, and prompt information about the business in hand; that efficient administration depends on the erection of well-equipped conning towers; that without instruments of precision, not only is the officer handicapped, but the public is without the means of making government responsible; between the government and the people is an impassable gulf and an impenetrable darkness, which produce discontent and suspicion, on the one hand, and deprive the officer of his support necessary to the success of a constructive program on the other.

The importance to the officer who is trying to do his duty of having at his service a citizen agency such as is represented here to-night, which is competent to express opinion on what is being attempted, which provides itself with the technical means for getting in touch with the administrative problem and keeping in touch with what is being done, cannot be over-emphasized. Without such a citizen agency it would have been impossible to have accomplished the constructive work which has gone progressively forward in New York, Philadelphia, Chicago, Cincinnati, during the last few years. On literally hundreds of occasions it was the non-partisan, technically-

equipped citizen agency which saved the day for Controller Metz, Controller Prendergast, Controller Walton, and other officials who have tried to do the constructive work. It is equally significant that Controller Taussig, of St. Louis, after having got a constructive program well under way is at this moment urging upon the citizens of the town the need for organizing a non-partisan, technically-equipped agency, in order to keep in touch with what he and other officers of the municipality are doing, so that there may be an enlightened, independent citizenship to stand for the right—to prevent the electorate from being used to thwart the very plans which have been laid for the promotion of the common good, to make the demagogue inefficient and the patriotic, self-sacrificing, public-serving officer a potent factor in the upbuilding of an efficient public corporation.